



# ***The Economic Stabilization Trust***

***OTA CONFERENCE***

***4/5/07***



# The Trust

*The Economic Stabilization Trust was established to promote job retention/growth and financial stability of troubled, but economically viable, Massachusetts based companies. The Trust assists these companies through its officers' management expertise as well as capital intervention.*

# Business Overview

- Company Characteristics
  - *Company has experienced an event which has led to operating losses and the inability of its bank/traditional financing to provide further support.*
  - *Company is going through a transition and needs additional financial support to ensure that the company/jobs remain in MA.*

# Business Overview

- Criteria
  - *Company is viable*
  - *Evidence of profitability/turnaround is underway*
  - *Company has the ability to repay the loan*
  - *The company has no other available source of funds*
  - *Funds will achieve the desired results*
  - *Company must be MA based and in good standing*
  - *Amount of the loan correlates to # employees*

# Business Overview

- Product Characteristics

- *Term Loan – up to \$750,000, subordinate to traditional financing, subordinate liens on all assets, 2-5 years.*
- *Revolving Credit – up to \$750,000, formula based, first lien on working assets, one year extendible term.*
- *Guarantee – up to \$500,000, for short term “overadvance” situations, collateral as available.*
- *All loans must be personally Guaranteed by the owner.*
- *Intercreditor/Standstill agreement btw. each of the company’s financial providers is required to make sure that the company has adequate time to accomplish its goals with the Trust’s assistance.*

# Business Overview

- Process
  - *Due Diligence on historical/projected financials*
  - *Review of the company's plans with management and any advisors is conducted to see if they are consistent w/ projected financials*
  - *Site visit*
  - *Loan approval packages are distributed to Board members*

**The Trust's loan is to serve as a source of temporary capital until the company can return to a traditional financing source.**

# Success Stories

## – Seafood Processor-New Bedford

- Losses made the company unbankable
- New contract w/ Costco – but couldn't support working capital
- Over 18 months loan was paid down 50%, the company was solidly profitable with employee levels up 34% to 35 employees.
- Company transitioned to bank financing that helped move them into larger space as the business continued to grow.

# Success Stories

## – Fabric Manufacturer - Holyoke

- Company was a manufacturer of fabric for women's apparel.
- Owners decided to transition the company's ownership and business focus to a market with more promise – Airbag fabric.
- The company's bank provided the up front asset based financing for the period of transition as the company ran losses and established the business.
- Company established profitability but the bank was unable to support additional working capital needs as the company received orders.
- The Trust participated with a group to provide the \$750,000 necessary to ensure the turnaround was successful.



# Business Overview

- Value Proposition
  - *Company/Client*
    - Expertise in area of assisting companies in transition
    - Stabilize capital structure for a period of time
    - Capital to stabilize business and improve prospects
  - *State*
    - Preserve jobs – tax revenues
    - Avoid unnecessary unemployment expenses
    - Assist businesses in transition
    - Cross-market MA resources and businesses (BRT founding member)

# Current Environment

- Overall business sentiment is still positive and companies are aggressively looking for business and investment in infrastructure.
- Lenders are not being aggressive on marginal credits and are “transitioning” some businesses out.